

PROJECT SUMMARY

Title and Date

An Audit of the City of San Jose's Housing Rehabilitation Program

Submitting Office

City of San Jose, Office of the City Auditor
800 North First Street
San Jose, CA 95112

Contact Person

Gerald A. Silva, City Auditor
TEL: (408) 277-4601
FAX: (408) 277-3280

Audit Scope

The purpose of this audit was to perform a follow-up review of the City Auditor's 1992 assessment on the Housing Department's (Housing) controls over its Housing Rehabilitation Programs. This follow-up review included the following objectives:

- Determine whether Housing has implemented controls to ascertain compliance with City Council policy;
- Identify any instances of non-compliance, uneconomical practices, inefficient procedures, or ineffective operations for the controls tested;
- Determine whether Housing has met its processing time objectives for rehabilitation projects and whether Housing Rehabilitation Program statistics reported to the City Council are in agreement with the Rehabilitation Program database;
- Determine whether the information in project files was accurately reported and summarized in the Rehabilitation Program database;
- Determine whether the loan and grant recipients are eligible for housing rehabilitation assistance;
- Determine whether the contractors who participate in the Housing Rehabilitation Program meet the eligibility requirements, including insurance coverage; and
- Survey those Rehabilitation Program loan and grant applicants whose projects were completed.

Significant Findings

Our follow-up audit of Housing's Rehabilitation Program disclosed that Housing did not have any written procedures or other written instructions for over 80 percent of rehabilitation projects and over \$1.2 million in annual rehabilitation project expenditures. Accordingly, Housing should incorporate into its Rehabilitation Program Handbook written procedures for reviewing and approving grant applications, for obtaining property owner approvals of proposed and completed rehabilitation work, and for competitively selecting contractors for grant rehabilitation projects. In addition, Housing should use recoverable home repair grants as a means to accommodate both the needs of lower-income property owners and the Rehabilitation Program's need to roll over Housing funds for future projects.

In addition, we found that (1) required final permits from the City of San Jose or the State of California were not on file; (2) Housing did not complete annual recertifications of affordability restrictions; and (3) Housing did not have complete documentation of required licenses or proofs of insurance for any of the 20 contractors we reviewed. Further, we observed numerous instances of rehabilitation project contractors rendering poor quality and costly work resulting in dissatisfied Rehabilitation Program loan and grant recipients. We incorporated 14 color pictures of some of the projects we visited to demonstrate the poor quality of the rehabilitation work performed. Finally, we identified that Housing experienced significant budget and staff reductions beginning in 1993-94 without commensurate reductions in rehabilitation project workloads.

Comments

We recommended that Housing follow the written procedures in the Rehabilitation Program Handbook, add several new procedures to the Rehabilitation Handbook and submit a budget proposal to the City Council to provide the staff and resources necessary to implement the recommendations in this Audit Report. By so doing, Housing will improve compliance with its own policies and procedures, reduce the risk that rehabilitation work will be of poor quality or too costly, enhance the Housing Rehabilitation program's effectiveness, and improve the condition of the City of San Jose's very low- to moderate-income housing stock.